

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2014**

ROSS & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.rosscpas.com

**800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Fiduciary Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Fiduciary Funds	18
Notes to Financial Statements	19
<u>Required Supplementary Information</u>	
Budgetary Comparisons:	
Budgetary Comparison Schedule - General Fund	34

TABLE OF CONTENTS (CONTINUED)

Budgetary Comparison Schedule - Special Revenue Fund	35
Combining Statements – Non-major Funds:	
Combining Balance Sheet - Non-major Governmental Funds	36
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	37
Activity Funds:	
Clinton County High School Activity Funds - Statement of Receipts, Disbursements and Fund Balance	38
Elementary and Middle Schools Activity Funds – Statement of Receipts, Disbursements and Fund Balance	40
Schedule of Expenditures of Federal Awards	41
Notes to the Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44
Schedule of Prior Year Audit Findings	46
Independent Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47
Independent Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	49
Recommendations and Comments to Management	51

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800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clinton County School District, Albany, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I—Audit Extension Request and Appendix II—Instructions for Submissions of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clinton County School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton County School District's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Clinton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Clinton County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross and Company", written in a cursive, flowing style.

Ross and Company, PLLC
November 12, 2014

**CLINTON COUNTY SCHOOL DISTRICT
ALBANY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the Clinton County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning and ending cash balance for the District was \$666,331 and \$426,154 respectively in the General Fund and School Food Service.
- A concerted effort was focused on purchasing in all areas.
- The General Fund had \$13,089,690 in receipts, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes, interest and in-kind payments. Excluding inter-fund transfers, there was \$13,314,154 in General Fund expenditures.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and in compliance with Kentucky Department of Education (KDE) regulations.
- The District's total debt increased by \$294,332 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation, and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

CLINTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2014
(Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state has a mandated uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental or proprietary funds. The District's only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. The largest portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014

The District implemented GASB 34 in fiscal year 2003 and recorded fixed assets and debt for the first time. The following is a comparison of the District's Net Position for the years ending June 30, 2013, and 2014.

	<u>2013</u>	<u>2014</u>
Current Assets	3,115,035	619,329
Noncurrent Assets	25,334,132	22,977,211
Total Assets	\$ 28,449,167	\$ 23,082,211
Deferred Outflow	-	105,000
Total Assets & Deferred Outflow	\$ 28,449,167	\$ 23,082,211
Current Liabilities	1,688,746	1,360,541
Long-Term Liabilities	11,347,493	10,276,702
Total Liabilities	\$ 13,036,239	\$ 11,637,243
Total Net Position	\$ 13,671,122	\$ 11,444,968

There has been no significant change in the financial position of the district since the last audit.

CLINTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2014
(Continued)

Comments on Budget Comparisons

- The general fund's total revenues budgeted for the fiscal year ended June 30, 2014 was \$13,663,009.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$243,684 more than budget or approximately 1.78%.

The following table presents a summary of the general fund's receipts and expenses for the fiscal year ended June 30, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Receipts:		
Local Revenue Sources	\$ 3,100,947	2,794,796
State Revenue Sources	11,843,393	10,268,594
Federal Revenue	3165,415	26,300
Other Sources	75	-
Total Receipts	<u>18,109,830</u>	<u>13,089,690</u>
Expenses:		
Instruction	\$ 11,758,534	8,226,003
Student Support Services	818,057	557,274
Instructional Support	491,826	206,908
District Administration	546,589	600,855
School Administration	1,025,768	998,865
Business Support	185,137	191,411
Plant Operations	1,817,339	1,418,875
Student Transportation	1,251,264	949,433
Community Services	284,696	45,455
Debt Service	454,416	119,075
Food Service Operations	1,218,054	-
Total Expenses	<u>19,851,680</u>	<u>13,314,154</u>
Receipts in Excess of Expenses	<u>\$ (241,178)</u>	<u>\$ (224,464)</u>

General Fund Receipts

The majority of receipts were derived from state funding 78% with locally generated receipts making up 21% of total receipts.

CLINTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2014
(Continued)

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. The General Fund beginning cash balance for beginning the fiscal year is \$351,027. Significant Board actions that will impact 2014-2015 finances include a state mandated 1% increase to all cells of salary schedules, employee step increases due to an additional year of experience, additional employer matching benefit expenses, and uncertainty regarding funding.

The Clinton County School District's current and estimated grant notifications are not anticipated to make a year-to-year material impact upon the remaining funds. Award notifications and estimates are fairly in line with budgeted amounts.

Questions regarding this report should be directed to **Superintendent Charlotte Bernard or Mike Reeves, Director of Finance** at (606) 387-6480 or by mail at 2353 N Hwy 127, Albany, KY 42602.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 345,937	\$ (29,278)	\$ 316,659
Other receivables	247,790	30,235	278,025
Inventory	-	24,645	24,645
Total current assets	<u>593,727</u>	<u>25,602</u>	<u>619,329</u>
Non-current Assets			
Land	6,217,854	-	6,217,854
Land Improvements	1,308,187	-	1,308,187
Buildings and improvements	21,789,439	-	21,789,439
Furniture and equipment	5,322,409	604,894	5,927,303
Less: Accumulated depreciation	(12,416,833)	(468,068)	(12,884,901)
Total non-current assets	<u>22,221,056</u>	<u>136,826</u>	<u>22,357,882</u>
Total assets	<u>22,814,783</u>	<u>162,428</u>	<u>22,977,211</u>
Deferred Outflows	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total assets & outflows	<u><u>\$ 22,919,783</u></u>	<u><u>\$ 162,428</u></u>	<u><u>\$ 23,082,211</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 72,030	\$ 957	\$ 72,987
Deferred revenue	43,527	-	43,527
Other current liabilities	106,080	-	106,080
Interest payable	338,188	-	338,188
Current portion of long-term obligations	625,000	-	625,000
Current portion of KISTA obligations	155,583	-	155,583
Current portion of sick-leave	19,176	-	19,176
Total current liabilities	<u>1,359,584</u>	<u>957</u>	<u>1,360,541</u>
Non-current Liabilities			
Non-current portion of long-term obligation	9,325,000	-	9,325,000
Non-current portion of KISTA obligation	622,200	-	622,200
Non-current portion of accrued sick leave	329,502	-	329,502
Total non-current liabilities	<u>10,276,702</u>	<u>-</u>	<u>10,276,702</u>
Total liabilities	<u>\$ 11,636,286</u>	<u>\$ 957</u>	<u>\$ 11,637,243</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 11,493,273	\$ 136,826	\$ 11,630,099
Restricted for:			
Capital projects	21,063	-	21,063
Other	-	24,645	24,645
Unrestricted	(230,839)	-	(230,839)
Total net position	<u>11,283,497</u>	<u>161,471</u>	<u>11,444,968</u>
Total liabilities and net position	<u><u>\$ 22,919,783</u></u>	<u><u>\$ 162,428</u></u>	<u><u>\$ 23,082,211</u></u>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
Instruction	\$ 11,598,727	\$ -	\$ 2,340,206	\$ -	\$ (9,258,521)	\$ -	\$ (9,258,521)
Support services:							-
Student	708,523	-	149,966	-	(558,557)	-	(558,557)
Instruction staff	452,095	-	241,785	-	(210,310)	-	(210,310)
District administrative	622,206	-	8,198	-	(614,008)	-	(614,008)
School administrative	1,106,439	-	-	-	(1,106,439)	-	(1,106,439)
Business	192,209	-	-	-	(192,209)	-	(192,209)
Plant operation and maintenance	2,107,297	-	19,497	-	(2,087,800)	-	(2,087,800)
Student transportation	1,332,078	-	87,762	-	(1,244,316)	-	(1,244,316)
Community service activities	259,995	-	214,540	-	(45,455)	-	(45,455)
Interest on long-term debt	741,056	-	-	-	(741,056)	-	(741,056)
Total governmental activities	<u>19,120,625</u>	<u>-</u>	<u>3,061,954</u>	<u>-</u>	<u>(16,058,671)</u>	<u>-</u>	<u>(16,058,671)</u>
Business-type Activities							
Food service	1,265,788	267,451	974,446	-	-	(23,891)	(23,891)
Total business-type activities	<u>1,265,788</u>	<u>267,451</u>	<u>974,446</u>	<u>-</u>	<u>-</u>	<u>(23,891)</u>	<u>(23,891)</u>
Total school district	<u>\$ 20,386,413</u>	<u>\$ 267,451</u>	<u>\$ 4,036,400</u>	<u>\$ -</u>	<u>\$ (16,058,671)</u>	<u>\$ (23,891)</u>	<u>\$ (16,082,562)</u>
General Revenues							
Property taxes					\$ 1,655,243	\$ -	\$ 1,655,243
Delinquent property tax					52,280	-	52,280
Motor vehicle taxes					284,794	-	284,794
Utility taxes					710,954	-	710,954
Other taxes					26,356	-	26,356
Investment earnings					14,768	-	14,768
State aid formula grants					10,967,931	-	10,967,931
Gain on sale of fixed assets					(88)	-	(88)
Miscellaneous					291,363	-	291,363
Transfers					26,392	(26,392)	-
Total general revenues					<u>14,029,993</u>	<u>(26,392)</u>	<u>14,003,601</u>
Change in net position					(2,028,678)	(50,283)	(2,078,961)
Net position - beginning					13,436,713	234,409	13,671,122
Prior Period Adjustment					(124,538)	(22,655)	(147,193)
Net position - ending					<u>\$ 11,283,497</u>	<u>\$ 161,471</u>	<u>\$ 11,444,968</u>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 455,431	\$ (130,557)	\$ 21,063	\$ 345,937
Other receivables	63,829	183,961	-	247,790
Total assets	<u>\$ 519,260</u>	<u>\$ 53,404</u>	<u>\$ 21,063</u>	<u>\$ 593,727</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 62,153	\$ 9,877	\$ -	\$ 72,030
Deferred revenue	-	43,527	-	43,527
Other current liabilities	106,080	-	-	106,080
Total liabilities	<u>168,233</u>	<u>53,404</u>	<u>-</u>	<u>221,637</u>
Fund Balances				
Restricted:				
Future Construction	\$ -	\$ -	\$ 21,063	\$ 21,063
Unassigned:	351,027	-	-	351,027
Total fund balances	<u>351,027</u>	<u>-</u>	<u>21,063</u>	<u>372,090</u>
Total liabilities and fund balances	<u>\$ 519,260</u>	<u>\$ 53,404</u>	<u>\$ 21,063</u>	<u>\$ 593,727</u>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance-Governmental Funds	\$ 372,090
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 34,637,889	
Accumulated depreciation	(12,416,833)	
Deferred Outflow	<u>105,000</u>	22,326,056

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Long-term Obligations	(9,950,000)	
KISTA Obligations	(777,783)	
Interest payable	(338,188)	
Long-term sick leave	<u>(348,678)</u>	<u>(11,414,649)</u>

Total Net position-Governmental Funds	<u><u>\$11,283,497</u></u>
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See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2014

	General Fund	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$ 1,466,561	\$ -	\$ -	\$ 240,962	1,707,523
Motor vehicle taxes	284,794	-	-	-	284,794
Utilities taxes	710,954	-	-	-	710,954
Other taxes	26,356	-	-	-	26,356
Earnings on investments	14,768	-	-	-	14,768
Other local revenues	291,363	56,073	-	-	347,436
State sources					
SEEK	7,379,806	-	198,618	474,419	8,052,843
On Behalf Payments	2,877,949	-	-	-	2,877,949
Other	10,839	979,566	-	-	990,405
Federal - indirect	26,300	2,026,315	-	-	2,052,615
Total revenues	<u>13,089,690</u>	<u>3,061,954</u>	<u>198,618</u>	<u>715,381</u>	<u>17,065,643</u>
Expenditures					
Instruction	8,226,003	2,365,801	-	-	10,591,804
Support services					
Student	557,274	149,966	-	-	707,240
Instruction staff	206,908	241,785	-	-	448,693
District administration	600,855	8,198	-	-	609,053
School administration	998,865	-	-	-	998,865
Business	191,411	-	-	-	191,411
Plant operation and maintenance	1,418,875	19,497	-	-	1,438,372
Student transportation	949,433	87,762	-	-	1,037,195
Community service activities	45,455	214,540	-	-	259,995
Debt service	119,075	-	1,024,462	-	1,143,537
Total expenditures	<u>13,314,154</u>	<u>3,087,549</u>	<u>1,024,462</u>	<u>-</u>	<u>17,426,165</u>
Excess (deficit) of revenues over expenditures	<u>(224,464)</u>	<u>(25,595)</u>	<u>(825,844)</u>	<u>715,381</u>	<u>(360,522)</u>
Other Financing Sources (Uses)					
Operating transfers in	131,846	26,625	825,844	-	984,315
Operating transfers out	(241,512)	(1,030)	-	(715,381)	(957,923)
Total other financing sources (uses)	<u>(109,666)</u>	<u>25,595</u>	<u>825,844</u>	<u>(715,381)</u>	<u>26,392</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(334,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,130)</u>
Net change in fund balances	(334,130)	-	-	-	(334,130)
Fund balance, July 1, 2013	672,879	(433)	137,249	21,063	830,758
Prior Period Adjustment	12,278	433	(137,249)	-	(124,538)
Fund balance, June 30, 2014	<u>\$ 351,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 372,090</u>

See accompanying notes to financial statements.

CLINTON COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Total net change in fund balances- governmental funds	\$ (334,130)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.	(2,108,110)
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In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold.	(88)
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments.	740,668
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In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned.	11,169
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Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds.	<u>(338,187)</u>
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Change in Net position - Governmental Funds	<u>\$ (2,028,678)</u>
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See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2014

ASSETS	<u>Food Service Fund</u>
Current Assets	
Cash and cash equivalents	\$ (29,278)
Other receivables	30,235
Inventory	<u>24,645</u>
Total current assets	<u>25,602</u>
Noncurrent Assets	
Furniture and equipment	615,271
Less: Accumulated depreciation	<u>(468,068)</u>
Total noncurrent assets	<u>147,203</u>
Total assets	<u><u>\$ 172,805</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 957
Total liabilities	<u>957</u>
NET POSITION	
Invested in capital assets, net of related debt	147,203
Restricted for:	
Inventory	<u>24,645</u>
Total net position	<u>171,848</u>
Total liabilities and net position	<u><u>\$ 172,805</u></u>

See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2014

	<u>Food Service Fund</u>
Operating Revenues	
Service sales	\$ 267,451
Total operating revenues	<u>267,451</u>
Operating Expenses	
Salaries and wages	562,284
Professional and contract services	13,636
Supplies and materials	631,323
Depreciation	53,669
Other operating expenses	4,876
Total operating expenses	<u>1,265,788</u>
Operating income (loss)	<u>(998,337)</u>
Non-operating revenues (expenses)	
Federal grants	868,607
State grants	105,839
Total non-operating revenues (expenses)	<u>974,446</u>
Transfers In	17,318
Transfers Out	<u>(43,710)</u>
Net income (loss)	<u>(50,283)</u>
Total net position, July 1, 2013	234,409
Prior Period Adjustment	<u>(12,278)</u>
Total net position, June 30, 2014	<u><u>\$ 171,848</u></u>

See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2014

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from sales	\$ 248,935
Cash payments to employees for services	(562,284)
Cash payments to suppliers for goods and services	(632,626)
Cash payments for other operating activities	(4,876)
Net cash from operating activities	<u>(950,851)</u>
Cash Flows from Noncapital Financing Activities	
Transfers	(26,392)
Non-operating grants received	974,446
Net cash from noncapital financing activities	<u>948,054</u>
Net increase in cash and cash equivalents	(2,797)
Cash and cash equivalents - beginning (restated)	<u>(26,481)</u>
Cash and cash equivalents - ending	<u><u>(29,278)</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating income (loss)	(998,337)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Depreciation	53,669
Changes in assets and liabilities:	
Receivables	(18,516)
Inventory	11,741
Accounts payable	592
Net Cash Provided by Operating Activities	<u><u>\$ (950,851)</u></u>

See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2014

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Due from other funds	<u>\$ 157,231</u>
Total assets	<u><u>\$ 157,231</u></u>
LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 157,231</u>
Total net position and liabilities	<u><u>\$ 157,231</u></u>

See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS
For the year ended June 30, 2014

	<u>Trust/Agency Fund</u>
Additions	
Revenues from student activities	\$ 760,510
Deduction	
Non-instructional expenses	<u>(725,763)</u>
Change in revenues over expenses	34,747
Due to school groups - beginning (restated)	<u>122,484</u>
Due to school groups - ending	<u><u>\$ 157,231</u></u>

See accompanying notes to financial statements

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Clinton County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Clinton County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Clinton County School District Finance Corporation – The Clinton County School District resolved to authorize the establishment of the Clinton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Clinton County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

The District utilizes the proprietary fund type to account for the major funds: Food Service. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, “available” means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. The District did not have non-spendable fund balance as of June 30, 2014.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$21,063 restricted in the Construction Fund for future construction.

Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District did not have a committed fund balance as of June 30, 2014.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balance also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed, and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles, (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2014, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$1,169,870 and the combined bank balances totaled \$1,334,692. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2014.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Revenues and other governmental fund financial resource increments (i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from November 1 through December 31. Collections from the period November 1 through November 30 receive a two percent discount. The due date is the period from December 1 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien filed by the County Attorney.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

Pension Plan

The Clinton County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July, 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.605%.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-employment healthcare benefit, four and one half percent (4.5%) of gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percents (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Clinton County School System's total payroll for the year was \$10,662,143. The payroll for employees covered under KTRS was \$7,438,368. For the year ended June 30, 2014, the Commonwealth contributed \$826,061 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2014 were \$173,822 which represents those employees covered by federal programs.

NOTE 4. RETIREMENT PLANS (CONTINUED)

County Employees Retirement System

The District has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The District's contribution rate for nonhazardous employees was 18.89 percent.

The District's contribution for FY 2012 was \$591,039, FY 2013 was \$572,948, and FY 2014 was \$510,810.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified and classified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2014, the estimate for those employees over the age of 55 with 5 or more years of service is \$348,678, in which \$19,176 is short term and \$329,502 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Governmental Assets				
Cost				
Land	\$ 6,217,854	\$ -	\$ -	\$ 6,217,854
Land Improvements	1,308,187	-	-	1,308,187
Buildings & Improvements	21,778,804	10,635	-	21,789,439
Technology Equipment	1,620,968	38,565	(21,152)	1,638,381
Other	1,112,810	24,748	(2,646)	1,134,912
Vehicles	2,549,116	-	-	2,549,116
Totals at historical cost	<u>34,587,739</u>	<u>73,948</u>	<u>(23,798)</u>	<u>34,637,889</u>
Less: Accumulated Depreciation				
Land Improvements	936,968	109,665	-	1,046,633
Buildings & Improvements (Restated)	5,287,763	823,115	-	6,110,878
Technology Equipment	1,369,002	332,457	(21,152)	1,680,307
Other	1,003,470	616,691	(2,558)	1,617,603
Vehicles	1,661,285	300,127	-	1,961,412
Total accumulated depreciation	<u>10,258,488</u>	<u>2,182,055</u>	<u>(23,710)</u>	<u>12,416,833</u>
NET	<u>\$ 24,329,251</u>	<u>\$ (2,108,107)</u>	<u>\$ (88)</u>	<u>\$ 22,221,056</u>
Business Assets				
Cost				
Technology Equipment	\$ 1,236	\$ -	\$ -	\$ 1,236
General Equipment	614,035	-	-	614,035
Totals at historical cost	<u>615,271</u>	<u>-</u>	<u>-</u>	<u>615,271</u>
Less: Accumulated Depreciation				
Technology Equipment	886	350	-	1,236
General Equipment	413,514	53,319	-	466,833
Total accumulated depreciation	<u>414,400</u>	<u>53,669</u>	<u>-</u>	<u>468,069</u>
NET	<u>\$ 200,871</u>	<u>\$ (53,669)</u>	<u>\$ -</u>	<u>\$ 147,202</u>

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clinton County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	2013			2014	
			<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
Issue of 2005	1,360,000	3.00-4.20%	\$ 720,000	\$ -	\$ 90,000	\$	630,000
Issue of 2005R	1,860,000	2.80-3.60%	950,000	-	305,000		645,000
Issue of 2005RE	140,000	2.90-4.10%	140,000	-	45,000		95,000
Issue of 2006A	935,000	3.50-3.75%	810,000	-	25,000		785,000
Issue of 2007	4,440,000	4.20%	4,345,000	-	20,000		4,325,000
Issue of 2010	2,055,000	2.00-6.00%	1,995,000		1,995,000		-
Issue of 2013	1,505,000	1.00-2.00%	1,455,000		55,000		1,400,000
Issue of 2014	2,070,000	1.10-3.20%	-	2,070,000	-		2,070,000
TOTAL			\$ 10,415,000	\$ 2,070,000	\$ 2,535,000	\$	9,950,000

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purposes of assisting local school districts in meeting school construction needs. The table on page 30 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amount to be paid by the Commission, at June 30, 2014, for debt service (principal and interest) are shown on the following page.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**CLINTON COUNTY SCHOOLS
SCHEDULE OF DEBT PAYMENTS
AS OF JUNE 30, 2014**

YEAR	CLINTON COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2015	\$ 464,055	\$ 278,386	\$ 160,945	\$ 37,672	\$ 941,058
2016	467,014	279,283	157,986	40,630	944,913
2017	487,529	256,449	142,471	37,174	923,623
2018	504,493	238,249	140,507	34,722	917,971
2019	522,491	220,831	132,509	32,484	908,315
2020	539,657	202,790	100,343	30,508	873,298
2021	437,364	182,651	102,636	28,214	750,865
2022	449,546	166,573	105,454	25,361	746,934
2023	466,577	149,699	108,423	22,427	747,126
2024	488,464	131,927	111,536	19,314	751,241
2025	505,135	113,255	114,865	15,985	749,240
2026	524,762	93,845	110,238	12,565	741,410
2027	553,397	72,377	86,603	9,383	721,760
2028	574,491	48,762	80,509	6,554	710,316
2029	375,675	30,701	59,325	4,259	469,960
2030	373,746	18,711	61,254	2,329	456,040
2031	397,833	6,365	42,167	675	447,040
TOTAL	\$ 8,132,229	\$ 2,490,854	\$ 1,817,771	\$ 360,256	\$12,801,110

The issue date, original amounts of the issue and interest rates are summarized below:

<u>KISTA Issue</u>	2013			2014			
	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2004 Kista	\$ 123,620	3/1/2014	1.00%-3.500%	\$ 11,552	\$ -	\$ 11,552	\$ -
2005 Kista	125,070	3/1/2015	3.000-3.625%	23,541	-	11,573	11,968
2006 Kista	207,007	3/1/2016	3.30-4.00%	61,909	-	22,551	39,358
2006B Kista	295,271	3/1/2017	3.500-3.875%	122,895	-	31,706	91,189
2009 Kista	169,242	3/1/2019	2.00-3.90%	101,071	-	16,543	84,528
2009C Kista	174,690	3/1/2020	2.00-3.60%	120,908	-	16,742	104,166
2011 Kista	175,819	3/1/2021	1.00-4.00%	137,429	-	16,582	120,847
2012 Kista	198,172	3/1/2022	2.000-2.625%	176,618	-	22,315	154,303
2013 Kista	192,528	3/1/2023	2.00%	192,528	-	21,104	171,424
TOTAL	\$ 948,451			\$ 948,451	\$ -	\$ 170,668	\$ 777,783

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

CLINTON COUNTY SCHOOLS SCHEDULE OF CAPITAL LEASE PAYMENTS AS OF JUNE 30, 2014				
YEAR	CLINTON COUNTY SCHOOL DISTRICT			
	PRINCIPAL	INTEREST	TOTALS	
2015	\$ 155,583	\$ 22,129	\$ 177,712	
2016	138,413	17,591	156,004	
2017	121,630	13,449	135,079	
2018	91,082	9,875	100,957	
2019	90,750	7,358	98,108	
2020	73,125	4,735	77,860	
2021	54,431	2,675	57,106	
2022	35,353	1,170	36,523	
2023	17,416	348	17,764	
TOTAL	\$ 777,783	\$ 79,330	\$ 857,113	

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	26,625
Operating	General	Food Service	Cover deficit	17,318
Operating	General	Debt Service	KISTA Payments	197,569
Operating	Special Revenue	General	Indirect cost transfer	1,030
Operating	Capital Outlay	General	Capital Funds Request	87,106
Operating	Capital Outlay	Debt Service	Bond Payments	67,571
Operating	Building Fund	Debt Service	Bond Payments	560,704
Operating	School Food Service	General	Indirect cost transfer	43,710
Total Transfers				\$ 1,001,633

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/net position. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	(\$334,130)
Food Service	(\$50,283)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the district continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in a number of lawsuits arising principally in the normal course of operations and from alleged acts committed by individual(s) employed by the district and management. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations now reflects this change in policy.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2014 was \$3,172,344. These payments were recorded as follows:

General Fund	\$	2,877,949
Debt Service		198,618
Food Service		<u>95,777</u>
	\$	<u><u>3,172,344</u></u>

NOTE 14. PRIOR PERIOD ADJUSTMENT

The Government-Wide financial statements' beginning balance did not reflect accurately the actual beginning Net Position..

Net Position July 1, 2013	\$	13,436,713
Prior Period Adjustment		<u>(124,538)</u>
Restated Net Position July 1, 2013	\$	<u><u>13,312,175</u></u>

CLINTON COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 1,521,750	\$ 1,521,750	\$ 1,466,561	\$ (55,189)	-3.63%
Motor vehicle taxes	275,000	275,000	284,794	9,794	3.56%
Utility taxes	765,000	765,000	710,954	(54,046)	-7.06%
Other taxes	-	-	26,356	26,356	100.00%
Earnings on investments	65,000	65,000	14,768	(50,232)	-77.28%
Other local revenues	271,700	271,700	291,363	19,663	7.24%
State Sources					
SEEK	7,163,481	7,163,481	7,379,806	216,325	3.02%
On Behalf	2,816,200	2,816,200	2,877,949	61,749	2.19%
Other	21,500	21,500	10,839	(10,661)	-49.59%
Federal-Indirect	30,000	30,000	26,300	(3,700)	-12.33%
Other	10,000	10,000	-	(10,000)	-100.00%
Inter-fund transfers	48,260	48,260	131,846	83,586	173.20%
Beginning Balance	675,118	675,118	685,157	10,039	1.49%
TOTAL REVENUES	13,663,009	13,663,009	13,906,693	243,684	1.78%
EXPENDITURES					
Instructional	8,296,638	8,296,638	8,226,003	70,635	0.85%
Student services					
Student	585,222	585,222	557,274	27,948	4.78%
Instructional staff	204,410	204,410	206,908	(2,498)	-1.22%
District administrative	713,910	713,910	600,855	113,055	15.84%
School administrative	975,970	975,970	998,865	(22,895)	-2.35%
Business	139,110	139,110	191,411	(52,301)	-37.60%
Plant operation and maintenance	1,407,174	1,407,174	1,418,875	(11,701)	-0.83%
Student transportation	956,625	956,625	949,433	7,192	0.75%
Community Services	37,242	37,242	45,455	(8,213)	-22.05%
Debt service	119,075	119,075	119,075	-	0.00%
Inter-fund transfers	227,633	227,633	241,512	(13,879)	-6.10%
TOTAL EXPENDITURES	13,663,009	13,663,009	13,555,666	107,343	0.79%
Excess (Deficit) of Revenues					
Over Expenditures	\$ -	\$ -	\$ 351,027	\$ 351,027	2.57%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CLINTON COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)	-100.00%
Other local revenues	53,155	53,155	56,073	2,918	5.49%
Intergovernmental - state	967,743	1,213,767	979,566	(234,201)	-19.30%
Intergovernmental - Federal	1,545,280	1,958,167	2,026,315	68,148	3.48%
Inter-fund transfers	32,041	32,041	26,625	(5,416)	-16.90%
TOTAL REVENUES	<u>2,600,219</u>	<u>3,259,130</u>	<u>3,088,579</u>	<u>(170,551)</u>	<u>-5.23%</u>
EXPENDITURES					
Instructional	1,935,244	2,505,448	2,365,801	139,647	5.57%
Student services:					
Student	132,327	132,327	149,966	(17,639)	-13.33%
Instructional staff	150,742	204,205	241,785	(37,580)	-18.40%
Business	8,200	8,200	-	8,200	100.00%
Plant operation and maintenance	40,133	40,133	19,497	20,636	51.42%
Student transportation	95,611	105,031	87,762	17,269	16.44%
Community services	214,790	214,540	214,540	-	0.00%
Inter-fund transfers	1,030	35,104	1,030	34,074	97.07%
TOTAL EXPENDITURES	<u>2,578,077</u>	<u>3,244,988</u>	<u>3,080,381</u>	<u>164,607</u>	<u>5.07%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 22,142</u>	<u>\$ 14,142</u>	<u>\$ 8,198</u>	<u>\$ (69,594)</u>	<u>-0.16%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CLINTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2014

	<u>Construction Fund</u>	<u>Total Non-Major Funds</u>
ASSETS		
Cash and cash equivalents	\$ 21,063	\$ 21,063
Total assets	<u>\$ 21,063</u>	<u>\$ 21,063</u>
 LIABILITIES AND FUND BALANCES		
Fund Balances		
Restricted:		
Future Construction	21,063	21,063
Total fund balances	<u>\$ 21,063</u>	<u>\$ 21,063</u>

CLINTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2014

Revenues	Building Fund	Capital Outlay Fund	Construction Fund	Total Non-major Govt. Funds
From local sources				
Property taxes	\$ 240,962	\$ -	\$ -	\$ 240,962
State sources				
SEEK	319,742	154,677	-	474,419
Total revenues	<u>560,704</u>	<u>154,677</u>	<u>-</u>	<u>715,381</u>
Excess (deficit) of revenues over expenditures	<u>560,704</u>	<u>154,677</u>	<u>-</u>	<u>715,381</u>
Other Financing Sources (Uses)				
Operating transfers out	(560,704)	(154,677)	-	(715,381)
Total other financing sources (uses)	<u>(560,704)</u>	<u>(154,677)</u>	<u>-</u>	<u>(715,381)</u>
Net change in fund balances	-	-	-	-
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>21,063</u>	<u>21,063</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 21,063</u>

CLINTON COUNTY SCHOOL DISTRICT
CLINTON COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In/ (Out)	Fund Balance June 30, 2014
General	\$ 1,209	\$ 27,343	\$ (32,898)	\$ 5,254	\$ 908
Soft Drink Machines	-	3,919	(4,096)	177	-
Break Concessions	-	13,991	(6,189)	(7,802)	-
School Day Pictures	739	7,474	(5,475)	(2,686)	52
Student Parking Permits	1,110	640	(491)	-	1,259
Student Lockers	-	1,644	(555)	-	1,089
Textbooks	-	888	-	-	888
Media	1,246	3,330	(1,097)	(588)	2,891
Library	552	23	-	(387)	188
Faculty	719	1,443	(1,829)	-	333
Lunch Obligations	-	81	(81)	-	-
Bulldog Banking	-	-	11	-	11
Interest Account	-	843	-	-	843
Athletic Fund	-	13,455	(22,302)	8,847	-
Athletic Concessions	-	39,077	(29,267)	(9,810)	-
Football	-	10,044	(9,509)	(308)	227
Volleyball	347	4,973	(7,530)	2,237	27
Boys Soccer	-	1,337	(3,170)	1,833	-
Girls Soccer	-	1,695	(3,408)	1,713	-
Boys Golf	-	525	(3,471)	2,946	-
Girls Golf	-	927	(2,133)	1,206	-
Cross Country	329	3,680	(2,225)	(68)	1,716
Archery	-	275	-	(227)	48
Boys Basketball	186	31,067	(33,544)	6,543	4,252
Girls Basketball	1,942	17,017	(23,996)	8,407	3,370
Girls BKB 2014 FL Trip	2,185	-	(200)	-	1,985
Baseball	-	10,341	(12,149)	4,489	2,681
Softball	-	4,715	(5,761)	1,926	880
Tennis	-	827	(1,672)	1,616	771
Cheerleaders	737	26,881	(29,475)	1,857	-
Athletic Tournaments	-	21,705	(15,963)	(5,742)	-
FFA	-	9,553	(8,661)	-	892
FCCLA	301	1,516	(962)	-	855
JROTC	25	8,018	(8,079)	200	164

CLINTON COUNTY SCHOOL DISTRICT
CLINTON COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In/ (Out)	Fund Balance June 30, 2014
Art Fund	\$ 210	\$ 90	\$ -	\$ -	\$ 300
Biology Fund	528	1,573	(841)	-	1,260
Chemistry Fund	208	385	(231)	-	362
Best Buddies Club	14	2,524	(2,171)	-	367
Student Council	127	-	-	-	127
No Kid Hungry	-	2,979	(2,929)	-	50
Yearbook	5,706	31,762	(31,233)	-	6,235
Beta Club	1,414	1,480	(1,568)	-	1,326
Spirit Club	24	-	(6)	-	18
English Club	416	490	(64)	-	842
History Club	823	220	-	-	1,043
Math Club	110	220	-	-	330
Spanish Club	27	675	(694)	-	8
KYA/KUNA	822	-	-	-	822
NTHS	91	234	(238)	-	87
180 Club	698	3,512	(2,077)	(1,000)	1,133
Yen Club	49	-	-	-	49
Class of 2014	-	21,785	(22,801)	1,016	-
Class of 2014 Senior Trip	6,198	30,497	(36,095)	(600)	-
Class of 2015 Senior Trip	-	2,035	-	-	2,035
Scholarship Fund	7,483	16,740	(24,750)	1,000	473
CCHS Football Booster	-	21,451	(15,463)	(29)	5,959
Football Booster 1-6	-	5,706	(4,493)	-	1,213
CCMS Volleyball Booster	1,600	941	(255)	-	2,286
CCHS Volleyball Booster	-	10,054	(3,921)	(2,406)	3,727
Boys Soccer Booster	-	1,664	(734)	(930)	-
Girls Soccer Booster	-	1,382	(819)	(563)	-
Boys Golf Booster	-	2,434	(31)	(1,977)	426
Girls Golf Booster	-	2,629	(1,323)	(206)	1,100
Archery Booster	-	10,863	(8,325)	-	2,538
Boys Basketball Booster	-	8,964	(3,473)	(5,491)	-
Girls Basketball Booster	-	8,889	(3,158)	(5,731)	-
Baseball Booster	-	11,599	(8,217)	(1,583)	1,799
Softball Booster	-	6,000	(2,743)	(3,131)	126
Cheerleading Elite	-	7,537	(7,535)	(2)	-
Total	\$ 38,175	\$ 486,561	\$ (462,365)	\$ -	\$ 62,371

ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Schools	Fund Balance June 30, 2013	Receipts	Disburse- ments	Fund Balance June 30, 2014
Clinton County Early Childhood Center	\$ 10,100	\$ 53,592	\$ (49,917)	\$ 13,775
Albany Elementary School (restated)	6,661	98,408	(91,915)	13,154
Clinton County Middle School	67,548	121,949	(121,566)	67,931
Total	<u>\$ 84,309</u>	<u>\$ 273,949</u>	<u>\$ (263,398)</u>	<u>\$ 94,860</u>

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>	
U. S. DEPARTMENT OF AGRICULTURE		<i>Cluster</i>			
<i>Passed Through Kentucky Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
School Breakfast Program - Child Nutrition Cluster	203x	10.553	\$ 235,577		
National School Lunch Program - Child Nutrition Cluster	205x	10.555	561,990		
Summer Food Program	209x	10.559	15,567	\$ 813,134	**
<i>Passed Through Kentucky Department of Agriculture:</i>					
<u>Food Distribution Cluster</u>					
Commodity Supplemental Food Program	201x	10.565	55,474	55,474	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				868,608	
 U. S. DEPT. OF EDUCATION					
<i>Passed Through Kentucky Department of Education:</i>					
Adult Education - Core Services / Family Literacy	3734	84.002	38,606		
Adult Education - Prof/Staff Development	3734S	84.002	491		
Recruitment, Retention and Results	3654	84.002	6,773	45,870	
<u>Title I Cluster</u>					
Title I: Part A - Improving Basic Programs	3103	84.010	176,060		
Title I: Part A - Improving Basic Programs	3104	84.010	493,792		
Title I - Professional Development - District Improvement	3103D	84.010	23,565		
Title I - Parent Involvement	3103M	84.010	42,398		
Title I - Parent Involvement	3104M	84.010	20,250		
Title I - Neglected and Delinquent Children	3143	84.010	4		
Title I - Neglected and Delinquent Children	3144	84.010	82,082	838,151	**
Title I - Migrant Education	3112S	84.011	20,732		
Title I - Migrant Education	3113	84.011	40,088		
Title I - Migrant Education	3114	84.011	25,049	85,869	
<u>Special Education Cluster</u>					
IDEA B - BASIC - Special Education Cluster	3373	84.027	151,097		
IDEA B - BASIC - Special Education Cluster	3374	84.027	233,634		
IDEA B - Preschool - Special Education Cluster	3433	84.173	5,085		
IDEA B - Preschool - Special Education Cluster	3434	84.173	24,763	414,579	
Career and Technical Education (Carl D. Perkins)	3483A	84.048	611		
Career and Technical Education (Carl D. Perkins)	3484	84.048	11,722	12,333	
Elementary School Counseling	5323	84.215	141,144		
Physical Education Project	5323F	84.215	109,472	250,616	
21st Century Community Learning Center	5503	84.287	37,551		
21st Century Community Learning Center - High School	5503H	84.287	68,239		
21st Century Community Learning Center - Multi-State Conference	5503J	84.287	63		

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>	
U. S. DEPARTMENT OF EDUCATION (CONTINUED)					
		<i>Cluster</i>			
21st Century Community Learning Center - Supplemental Funds	5502J	84.287	1,113		
21st Century Community Learning Center - Summer Program	5503U	84.287	12,638		
21st Century Community Learning Center - Supplemental Funds	5503Z	84.287	1,690	121,294	**
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	3503	84.358	9,312		
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	3504	84.358	30,885	40,197	
Title II: Part A - High Quality Teachers & Principals	4014	84.367	127,981	127,981	**
Race to the Top - Advanced Kentucky	4521A	84.413	2,173		
Race to the Top	4521	84.413	1,122	3,295	
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,940,185</u>	
U.S. DEPARTMENT OF DEFENSE					
<i>Passed through KY Dept of Military Affairs</i>					
ROTC	5044	12.000	63,567	63,567	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Head Start	6553C	93.600	17,125	17,125	
APPALACHIAN REGIONAL COMMISSION					
<i>Passed through Morehead State University</i>					
Bluegrass PRIDE	4334	23.002	1,450		
Appalachian Higher Education Network (KY AHED)	6884	23.011	3,991	5,441	
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,894,926</u>	

Tested as major cluster or program **

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Clinton County Public Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. Commodities passed through the U.S. Dept. of Agriculture during the year totaled \$55,474.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unmodified

Internal control over financial reporting	<u>Yes</u>	<u>No</u>
• Material weaknesses identified?		X
• Significant deficiencies identified that are not considered to be material weaknesses?	X	
• Noncompliance material to financial statements noted?		X

Federal Awards:

Internal control over major programs	<u>Yes</u>	<u>No</u>
• Material weakness identified?		X
• Significant deficiencies identified that are not considered to be material weaknesses?		X None Reported

Type of auditor's report issued on compliance for major programs: unmodified

	<u>Yes</u>	<u>No</u>
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?		X

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 10.559	Child Nutrition Cluster
84.010	Title I Cluster
84.287	21 st Century Community Learning
84.367	Title II—Improving Teacher Quality

- Dollar threshold used to distinguish between type A and type B programs \$300,000
- Auditee qualified as low-risk auditee? Yes X No

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014
(Continued)

Section 2. Financial Statement Findings

Current Year:

2014-01 Fixed Assets

Statement of Condition: Capital assets should be recorded and reported at their historical cost and tagged before leaving Central Office.

Criteria for Condition: Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide.

Cause of the Condition: Assets were delivered to the schools before being tagged. Replacements were made at the schools and the fixed asset module was not updated, leading the auditors to believe there wasn't an inventory conducted at year end. Also, assets were not booked at complete historical cost. Complete historical cost includes full invoice amount, installation cost, freight, etc.

Effect of the Condition: Fixed Assets listing is not accurate or up to date.

*Recommendation for
Correction:* The district should consider annual inventory of all assets and centralize their fixed asset procedures so that all fixed assets are received and tagged in one location before being delivered throughout the district.

Prior Year: 2013-01 Financial Statement Preparation

Section 3. Federal Awards Findings and Questionable Costs

Current Year: No matters were reported.

Prior Year: No matters were reported.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

Prior Audit Findings:

Prior Year: 2013-01 Financial Statement Preparation

Statement of Condition: Prior Auditors found that the organization had a lack of personnel with experience in financial reporting necessary to prepare the annual financial statements. This control deficiency could result in a misstatement in the financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

Criteria for Condition: The District's management is responsible for establishing and maintaining internal controls over the preparation of financial statements..

Cause of the Condition: The District has a limited number of personnel with limited financial reporting experience.

Effect of the Condition: The design of the internal controls over financial reporting limits the ability of the District to prepare the annual financial statements in accordance with generally accepted accounting principles.

Recommendation for Correction: It was recommended that the District consider contracting with an experienced accountant to prepare draft financial statements on an annual basis.

Status: Through training and self study the District was able to obtain knowledge and understanding of the governmental wide and fund financial statements. The District still believes allowing the auditors to prepare the financial statements is a cost benefit, however the District is able to oversee the preparation and accept the financial statements before a report is issued. This comment has been corrected.

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Clinton County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2014-01.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinton County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations indentified in the Independent Auditor's Contract.

Clinton County School District's Response to Findings

Clinton County School District's response to findings indentified in our audit is described in the accompanying schedule of findings and questioned costs. Clinton County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ross and Company", written in a cursive, flowing style.

Ross and Company, PLLC
November 12, 2014

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Clinton County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Clinton County School District's major federal programs for the year ended June 30, 2014. Clinton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clinton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract.. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinton County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clinton County School District' compliance.

Opinion on Each Major Federal Program

In our opinion, Clinton County School District complied, in all material respects, with the types compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2014.

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report Internal Control over Compliance

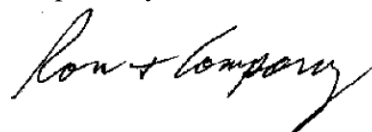
Management of Clinton County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clinton County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clinton County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC
November 12, 2014

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Certified Public Accountants
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Louisville, KY 40299-1837
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Albany, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Clinton County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

Current Year Findings –

2014-01 Fixed Assets

Statement of Condition: Capital assets should be recorded and reported at their historical cost and tagged before leaving Central Office.

Criteria for Condition: Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide.

Cause of the Condition: Assets were delivered to the schools before being tagged. Replacements were made at the schools and the fixed asset module was not updated, leading the auditors to believe there wasn't an inventory conducted at year end. Also assets were not booked at complete historical cost. Complete historical cost includes full invoice amount, installation cost, freight, etc.

Effect of the Condition: Fixed Assets listing is not accurate or up to date.

*Recommendation for
Correction:* The district should consider annual inventory of all assets and centralize their fixed asset procedures so that all fixed assets are received and tagged in one location before being delivered through the district.

Management's Response: The District will conduct an annual inventory of all assets and will ensure all assets are tagged appropriately. The director of Finance will coordinate this inventory.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2014
(Continued)

2014-02: External Booster Club using District's Federal ID Number

Statement of Condition: External organizations have bank accounts with First & Farmers National Bank using the District's Federal ID number.

Criteria for Condition: An external support/booster organization must use external bank accounts and shall obtain its own Federal Employer Identification Number (FEIN) specifically and only for its use. External support/booster organizations shall not use the FEIN of the school or district.

Cause of the Condition: Clinton Co High School and Clinton County Educational Association have accounts using the District's Federal ID number.

Effect of the Condition: The school may disassociate with any external support/booster organization that does not comply with the External Support/Booster Organization section in the Redbook. If the school disassociates with the external organization, the external organization shall not use the school name for its activities, conduct any fundraising in the name of the school or athletic group within the school and shall not use the school facilities to conduct such activities.

*Recommendation for
Correction:*

Both the Band Boosters and the Educational Association must apply for their own Federal Employer Identification Number and set up the account under their own name.

Management's Response: At the present time the District is working with the two organizations to get their own Federal Identification Numbers so that the accounts will not be linked to the District's number. This process should be completed with the next few weeks.

2014-03: Handling Cash

Statement of Condition: Money collected by a teacher/sponsor was held instead of given to the school treasurer on the day of collection.

Criteria for Condition: All money collected by a teacher/sponsor shall be given to the school treasurer on the day of collection per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: It appeared teachers/sponsors held money/checks for a length of time before submitting them to the school treasurer.

Effect of the Condition: Money is not deposited in a timely manner.

*Recommendation for
Correction:*

All money should be delivered to school treasurer on date of collection.

Management's Response: The District has discussed this finding with the schools and will monitor to ensure this issue does not occur again. Additional Redbook training has been conducted by the Director of Finance with each Financial Secretary to clarify Redbook requirements.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2014
(Continued)

2014-04: Deposits over \$100

Statement of Condition: Receipts collected over \$100 were not deposited timely.

Criteria for Condition: All money collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit it may be held in a secure location per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Deposits were being created with amounts over \$100, however, they were held before being delivered to the bank.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for

Correction: Deposits over \$100 should be delivered to the bank on the same day as the deposit is created.

Management's Response: The District has discussed this finding with the schools and will monitor to ensure this issue does not occur again. Additional Redbook training has been conducted by the Director of Finance with each Financial Secretary to clarify Redbook requirements.

2014-05 Credit Card log sheets should be kept up to date

Statement of Condition: A credit card log was not utilized for the use of credit card purchases.

Criteria for Condition: Credit cards may be checked out to individual employees (each card has different last four digits) using Credit Card Sign-In/Out Log (Form F-SA-13). There shall be separate identification for each type of credit card. Each card shall have a separate Credit Card Sign-In/Out Log (Form F-SA-13) per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Cards were not logged before each purchase.

Effect of the Condition: Credit cards are high risk and should be logged before each purchased to insure proper authorization.

Recommendation for

Correction: Keep credit card log up to date with each card available.

Management's Response: The District is in the process of requiring each school to check out credit cards from the District office as credit cards will no longer be kept at each school. This will ensure that the logs are properly completed and that constant monitoring of the credit cards can occur. This process will be completed by December 31, 2014.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2014
(Continued)

2014-06 Concession Form (F-SA-17) should be Used for Snack Sales

Statement of Condition: Snack sales were not documented on the Concession form.

Criteria for Condition: The Sales from Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17) is to be used each time money is collected from these activities and turned in with the money to the school treasurer per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Inventory worksheet was completed on a weekly or biweekly basis for snack sales however; the concession form was not completed when remitting money to the treasurer.

Effect of the Condition: 2013 Redbook procedures are not properly followed.

Recommendation for Correction: The Concession form must be completed for each event and each time money is collected from the activity. There shall be two different individuals involved: one individual to collect and count the monies from sales and a separate individual to complete the Inventory Control Worksheet (F-SA-5).

Management's Response: The District has discussed the need for F-SA-5 to be utilized for all concession sales and will monitor to ensure that this form is properly completed after each concession collection event. Additional Redbook training has been conducted by the Director of Finance with the Financial Secretary to clarify Redbook requirements.

2014-07: Multiple Receipt Forms

Statement of Condition: Multiple receipt forms did not contain student's signatures.

Criteria for Condition: Students third grade and above must sign multiple receipt forms when submitting money per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Teacher completed form instead of students signing.

Effect of the Condition: 2013 Redbook procedures are not properly followed.

Recommendation for Correction: Multiple receipt forms with student's signature should be completed when collecting money.

Management's Response: The District has discussed this lack of student signatures with the school and will monitor to ensure that students are properly signing the multiple receipt form. Additional Redbook training has been conducted by the Director of Finance with the Financial Secretary to clarify Redbook requirements.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2014
(Continued)

Prior year comments:

2013-01	<u>Financial Statement Preparation</u>	(CORRECTED)
2013-02	<u>Overtime Pay Calculation for Free & Reduced</u>	(CORRECTED)
2013-03	<u>High School Beginning Balance Discrepancy</u>	(CORRECTED)
2013-04:	<u>Multiple Receipt Forms</u>	(REPEATED)
2013-05	<u>Standard Invoice Signatures</u>	(CORRECTED)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
November 12, 2014